

UNITED STATES DISTRICT COURT FOR THE
NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

In re:

OXFORD FINANCE LLC,

Plaintiff,

v.

CV LANTERN PROPERTIES, LLC;
MADISON LANTERN PROPERTIES, LLC;
SAYBROOK LANTERN PROPERTIES, LLC;
ORCUS SYSTEMS AND SOLUTIONS,
INC.; LANTERN OF SAYBROOK, INC.; and
LANTERN OF CHAGRIN VALLEY, INC.,

Defendants.

Case No. 1:23-cv-2175

Judge _____

VERIFIED COMPLAINT

Plaintiff Oxford Finance LLC (“Plaintiff”) files this Complaint against Defendants CV Lantern Properties, LLC; Madison Lantern Properties, LLC; Saybrook Lantern Properties, LLC; Orcus Systems and Solutions, Inc.; Lantern of Saybrook, Inc.; and Lantern of Chagrin Valley, Inc. (collectively, “Defendants”), and alleges as follows.

NATURE OF THE CASE

1. Defendants CV Lantern Properties, LLC; Madison Lantern Properties, LLC; and Saybrook Lantern Properties, LLC (collectively, “Owner Defendants”) are owners of real property on which Defendants Orcus Systems and Solutions, Inc.; Lantern of Saybrook, Inc.; and Lantern of Chagrin Valley, Inc. (collectively, “Operator Defendants”) operate assisted living and memory care facilities.

2. Plaintiff is Defendants' senior secured creditor with a first-priority security interest in and lien on all of Defendants' assets. Defendants are in payment default under their loan agreement with Plaintiff with a current outstanding balance in excess of \$22 million.

3. This is an action for breach of contract under the loan agreement.

PARTIES

4. Plaintiff is a Delaware limited liability company and with a principal place of business at 115 South Union Street, Suite 300, Alexandria, VA 22314.

5. Plaintiff is owned by a limited liability company whose sole member is a Delaware limited liability company, whose membership follows with a number of additional Delaware limited liability companies, all with sole members that are also Delaware limited liability companies (none of the members of any of the limited liability companies is a resident of or a citizen of Ohio) until ultimate ownership by individual persons who are residents of the States of New York, Connecticut, New Jersey, Virginia, Maryland and California (and, for avoidance of doubt, none of which are residents of Ohio).

6. Defendant CV Lantern Properties, LLC is an Ohio limited liability company that owns the real property located at 5277 Chillicothe Road, Chagrin Falls, OH 44022 on which Defendant Lantern of Chagrin Valley, Inc. operates Lantern of Chagrin Healthcare Facility, containing 40 assisted living and 26 memory care units.

7. Defendant CV Lantern Properties, LLC is wholly owned by Lantern Holdings, LLC, an Ohio limited liability company, whose owners are individuals who are residents of the States of Ohio and Florida.

8. Defendant Madison Lantern Properties, LLC is an Ohio limited liability company that owns the real property located at 2041 Hubbard Road, Madison, OH 44057 on which Defendant Orcus Systems and Solutions, Inc. operates Lantern of Madison Healthcare Facility, containing 69 assisted living and 22 memory care units.

9. Defendant Madison Lantern Properties, LLC is wholly owned by Lantern Holdings, LLC, an Ohio limited liability company, whose owners are individuals that are residents of the States of Ohio and Florida.

10. Defendant Saybrook Lantern Properties, LLC is an Ohio limited liability company that owns the real property located at 37200 North Ridge Road West, Saybrook, OH 44044 on which Defendant Lantern of Saybrook, Inc. operates Lantern of Saybrook Healthcare Facility, containing 37 assisted living and 30 memory care units.

11. Defendant Saybrook Lantern Properties, LLC is wholly owned by Lantern Holdings, LLC, an Ohio limited liability company, whose owners are individuals that are residents of the States of Ohio and Florida.

12. Defendant Lantern of Chagrin Valley, Inc. is an Ohio corporation that operates Lantern of Chagrin Healthcare Facility on the real property owned by Defendant CV Lantern Properties, LLC.

13. Defendant Orcus Systems and Solutions, Inc. is an Ohio corporation that operates Lantern of Madison Healthcare Facility on the real property owned by Defendant Madison Lantern Properties, LLC.

14. Defendant Lantern of Saybrook, Inc. is an Ohio corporation that operates Lantern of Saybrook Healthcare Facility on the real property owned by Defendant Lantern of Chagrin Valley, Inc.

JURISDICTION AND VENUE

15. This Court has original jurisdiction over this action pursuant to 28 U.S.C. § 1332(a)(1) because it is a civil action between citizens of various States within the United States, and the amount in controversy exceeds \$75,000, exclusive of interest and costs.

16. Venue is proper in this district under 28 U.S.C. § 1391(b) because (i) Owner Defendants each own real property in this district and (ii) Operator Defendants each conduct their business operations in this district.

FACTS

I. Plaintiff Provided a \$24 Million Loan to Defendants Secured by a First Priority Lien on all of Defendants' Assets.

17. On or about May 6, 2021, Defendants and Plaintiff, as administrative agent and a lender and the other lenders thereto from time to time entered into: (1) that certain Term Loan and Security Agreement (the “Original Loan Agreement”), as amended by that certain Waiver and Amendment to Term Loan and Security Agreement dated as of May 2, 2022 (the “First Amendment”); and (2) the Original Loan Agreement, as amended by the First Amendment, and as further amended, restated, modified and/or supplemented from time to time, (the “Loan Agreement”).; A true and correct copy of the Original Loan Agreement is attached hereto as Exhibit A and a true and correct copy of the First Amendment is attached hereto as Exhibit B.

18. Pursuant to the Loan Agreement, Plaintiff provided Defendants a term loan in the original principal amount of Twenty-Four Million and No/100 Dollars (\$24,000,000) (the “Term Loan” and together with all other obligations owed under the Loan Agreement, the “Obligations”).

19. In connection with the Loan Agreement, Defendants each executed (i) that certain Term Loan Promissory Note in the amount of \$8,000,000 dated as of May 6, 2021, (ii) that certain Term Loan Promissory Note in the amount of \$8,000,000 dated as of May 6, 2021 and (iii) Term Loan Promissory Note in the amount of \$8,000,000 dated as of May 6, 2021 (collectively, the “Notes”). True and correct copies of the Notes are attached hereto as Group Exhibit C.

20. In Section 7.1 of the Loan Agreement, to secure repayment of the Obligations in full, Defendants granted Plaintiff a first priority continuing general lien upon, and security interest in, *inter alia*, all of Defendants’ (a) accounts, accounts receivable, notes receivable, contract rights, chattel paper, documents, instruments, letters of credit, (b) inventory, (c) general intangibles, (d) equipment, (e) deposit accounts, and (f) all collections and proceeds of the foregoing.

21. Plaintiff filed UCC financing statements with the Ohio secretary of state and respective counties where the real property is located reflecting its liens. True and correct copies of the recorded financing statements are attached hereto as Group Exhibit D.

22. Defendants each granted Plaintiff a mortgage on their owned real property to secure the Obligations pursuant to: (i) that certain Open-End Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing dated as of May 6, 2021 by Defendant CV

Lantern Properties, LLC with respect to the real property located at 5277 Chillicothe Road, Chagrin Falls, OH 44022 recorded in Geauga County on May 19, 2021 (File No. 202100983075), (ii) that certain Open-End Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing dated as of May 6, 2021 with respect to the real property located at 2041 Hubbard Road, Madison, OH 44057 recorded in Lake County on May 12, 2021 (File No. 2021R016117) and (iii) that certain Open-End Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing dated as of May 6, 2021 with respect to the real property located at 37200 North Ridge Road West, Saybrook, OH 44044 recorded in Ashtabula County on May 12, 2021 (Bk 738, Pg 2356-2381) (collectively, the “Mortgages”). True and correct copies of the Mortgages are attached hereto as Group Exhibit E.

23. Each Defendant assigned all of its rents and leases to Plaintiff to secure the Obligations pursuant to:

- (i) that certain Assignment of Leases and Rents dated as of May 6, 2021 by Defendant CV Lantern Properties, LLC recorded in Geauga County on May 19, 2021 (File No. 202100993076),
- (ii) that certain Assignment of Leases and Rents dated as of May 6, 2021 by Defendant Madison Lantern Properties, LLC recorded in Lake County on May 12, 2021 (File No. 2021R016118),
- (iii) that certain Assignment of Leases and Rents dated as of May 6, 2021 by Defendant Saybrook Lantern Properties, LLC recorded in Ashtabula County on May 12, 2021 (Bk 738, Pg 2393-2403),
- (iv) that certain Assignment of Leases and Rents dated as of May 6, 2021 by Defendant Lantern of Chagrin Valley, Inc. recorded in Geauga County on May 19, 2021 (File No. 202100983077),
- (v) that certain Assignment of Leases and Rents dated as of May 6, 2021 by Defendant Orcus Systems and Solutions, Inc. recorded in Lake County on May 12, 2021 (File no. 2021R016119), and
- (vi) that certain Assignment of Leases and Rents dated as of May 6, 2021 by Defendant Lantern of Saybrook, Inc. recorded in Ashtabula County on May 12,

2021 (Bk 738, Pg 2382-2392)

(collectively, the “Assignments of Leases and Rents”). True and correct copies of the Assignments of Leases and Rents are attached hereto as Group Exhibit F.

24. Defendants executed that certain Assignment of Agreements Affecting Real Estate dated as of May 6, 2021 in favor of Plaintiff, a true and correct copy of which is attached hereto as Exhibit G.

25. Defendants executed that certain Collateral Assignment of Permits and Approvals dated as of May 6, 2021 in favor of Plaintiff, a true and correct copy of which is attached hereto as Exhibit H.

26. Each Defendant executed a Subordination and Attornment Agreement subordinating Operator Defendants’ rights under their respective leases of the real property to the rights of Plaintiff under the Mortgages. True and correct copies of the recorded Subordination and Attornment Agreements are attached hereto as Group Exhibit I.

27. Defendants and Plaintiff entered into the following deposit account control agreements to reflect Defendants’ grant of a security interest in and lien upon all of Defendants’ bank accounts and the proceeds thereof:

- a. Deposit Account Control Agreement dated as of May 8, 2021 governing account number ending in 0858 of Defendant CV Lantern Properties, LLC at First Federal Lakewood;
- b. Deposit Account Control Agreement dated as of May 8, 2021 governing account number ending in 0817 of Defendant Madison Lantern Properties, LLC at First Federal Lakewood;
- c. Deposit Account Control Agreement dated as of May 7, 2021 governing account number ending in 0841 of Defendant Saybrook Lantern Properties, LLC at First Federal Lakewood;

- d. Deposit Account Control Agreement dated as of May 7, 2021 governing account number ending in 3574 of Defendant Lantern of Chagrin Valley, Inc. at First Federal Lakewood;
- e. Deposit Account Control Agreement dated as of May 7, 2021 governing account number ending in 3582 of Defendant Orcus System and Solutions, Inc. at First Federal Lakewood; and
- f. Deposit Account Control Agreement dated as of May 7, 2021 governing account number ending in 3590 of Defendant Lantern of Saybrook, Inc. at First Federal Lakewood;

(collectively, the “Deposit Account Control Agreements”). True and correct copies of the Deposit Account Control Agreements, redacted for financial privacy, are attached hereto at Group Exhibit J.

II. The Loan Has Matured and Defendants Have Failed to Repay the Obligations.

28. As early as May 2022, Defendants defaulted under the Loan Agreement leading to Plaintiff accelerating the Obligations on November 9, 2022. A true and correct copy of the acceleration notice is attached hereto as Exhibit K.

29. Thereafter, Plaintiff and Defendants entered into that certain Forbearance Agreement with an effective date of December 14, 2022 (the “Forbearance Agreement”). A true and correct copy of the Forbearance Agreement is attached hereto as Exhibit L.

30. Pursuant to the Forbearance Agreement, Plaintiff agreed to forbear from exercising its rights and remedies through March 15, 2023. Forbearance Agreement Sec. 4.

31. The Forbearance Agreement expired on March 15, 2023 and Plaintiff sent Defendants notice thereof. A true and correct copy of the notice is attached hereto as Exhibit M.

32. Defendants have failed to repay the Obligations in full as of the date of this filing.

33. As of November 3, 2023, at least \$22,411,291.03 is due and outstanding under the Loan Agreement, which amount is exclusive of interest, fees and costs.

COUNT I – BREACH OF CONTRACT

34. Plaintiff realleges and incorporates by reference the preceding paragraphs 1-33 as if set forth fully herein.

35. Pursuant to the Loan Agreement, as amended by the Forbearance Agreement, Defendants were required to pay the Obligations in full by March 15, 2023.

36. Defendants failed to pay the Obligations in full by March 15, 2023.

37. As of November 3, 2023, Defendant owes \$22,411,291.03, plus interest, fees and costs to Plaintiff pursuant to the Loan Agreement.

38. As a proximate result of Defendant's breach of its payment obligations under the Loan Agreement, Plaintiff and Lenders have been damaged in an amount not less than \$22,411,291.03, plus all accrued and accruing interest, fees and costs.

WHEREFORE, Plaintiff demands judgment against Defendant, in an amount not less than \$22,411,291.03, plus all pre-judgment and post-judgment interest, fees and costs, and such other relief as the Court deems equitable and just.

[Signatures on Following Page]

Dated: November 7, 2023

Respectfully submitted,

/s/ Marcel C. Duhamel _____

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Counsel for Plaintiff

VERIFICATION

I, Patrick McLenahan, as an Executive Director of Oxford Finance LLC certify that the statements contained in the foregoing Complaint are true based upon my personal knowledge and my review of the relevant documents of Oxford Finance LLC.

Signed under the pains and penalties of perjury this 7th day of November, 2023.

patrick

State of Virginia

County/City of Alexandria

On this 7th day of November 2023, before me, the undersigned Notary Public, personally appeared Patrick McLenahan, proved to me through satisfactory evidence of identification which was photographic identification with signature issued by a federal or state governmental agency, oath or affirmation of a credible witness, personal knowledge of the undersigned, to be the person whose name is signed on the attached document, and acknowledged to me that he signed it voluntarily for its stated purpose.

Morgan Elise Millan
Morgan Elise Millan, Notary Public

My commission expires: 5/31/2025

